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**CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH**

Component Unit Financial Statements
And Independent Auditor's Report
As of and for the Year Ended
June 30, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-12-01

KEITH J. ROVIRA
Certified Public Accountant

**CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH**
Component Unit Financial Statements
and Independent Auditor's Report
As of and for the Year Ended
June 30, 2001

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INDEPENDENT AUDITOR'S REPORT

Custodian of Notarial Records of Orleans Parish
State of Louisiana
New Orleans, Louisiana

I have audited the accompanying general purpose financial statements of the Custodian of Notarial Records of Orleans Parish, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Custodian of Notarial Records of Orleans Parish. My responsibility is to express an opinion on these financial statements based on my audit.

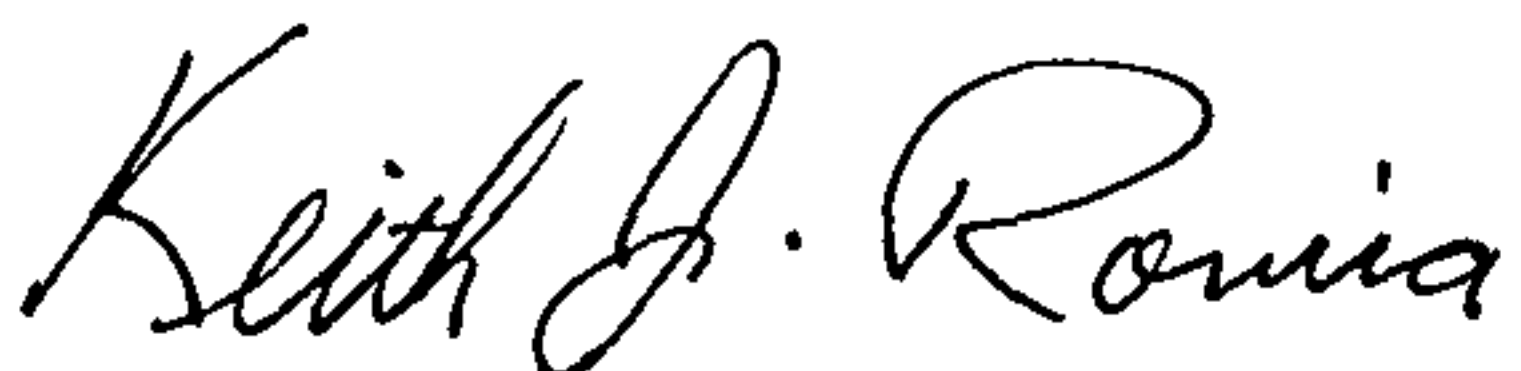
I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Custodian of Notarial Records of Orleans Parish as of June 30, 2001, and the results of operations for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial information listed as supplementary information in the table of contents is presented to comply with the requirements issued by the State of Louisiana. Such

information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements from which it has been derived.

In accordance with Government Auditing Standards, I have also issued a report dated August 15, 2001, on my consideration of the Custodian of Notarial Records of Orleans Parish's compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. This report is presented separately after the notes to the financial statements of this audit report.

A handwritten signature in cursive script that reads "Keith J. Rovira".

Keith J. Rovira
Certified Public Accountant

August 15, 2001

COMPONENT UNIT FINANCIAL STATEMENTS

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Balance Sheet - All Fund Types and Account Groups
June 30, 2001

Statement A

| | Governmental Fund - General <u>Fund</u> | <u>Account Groups</u> General Fixed <u>Assets</u> | General Long-Term <u>Obligations</u> | Total (Memorandum Only) |
|--|--|--|--|-------------------------------|
| ASSETS AND OTHER DEBITS | | | | |
| <u>Assets</u> | | | | |
| Cash (Note B) | \$494,773 | - | - | \$494,773 |
| Receivables | 5,952 | - | - | 5,952 |
| Prepaid expenses (Note A.8) | 45,521 | - | - | 45,521 |
| Rental deposits | 4,304 | - | - | 4,304 |
| Fixed assets (Note C) | - | \$342,497 | - | 342,497 |
| <u>Other Debits</u> | | | | |
| Amount to be provided for retirement of capital lease obligations (Note F) | - | - | \$13,397 | 13,397 |
| TOTAL ASSETS | \$550,550 | \$342,497 | \$13,397 | \$906,444 |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Balance Sheet - All Fund Types and Account Groups
June 30, 2001

Statement A - Continued

| | Governmental Fund - General Fund | <u>Account Groups</u> General Fixed Assets General Long-Term Obligations | | Total (Memorandum Only) |
|--|---|--|-----------------|-------------------------------|
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$15,712 | - | - | \$15,712 |
| Accrued annual leave | 10,172 | - | - | 10,172 |
| Accrued sick leave | 4,702 | - | - | 4,702 |
| Payroll deductions payable | 9,079 | - | - | 9,079 |
| Deferred revenue - notary fees | 12,525 | - | - | 12,525 |
| Escrow - City of New Orleans | 7,700 | - | - | 7,700 |
| Capital lease obligations | - | - | \$13,397 | 13,397 |
| Total Liabilities | <u>59,890</u> | <u>-</u> | <u>13,397</u> | <u>73,287</u> |
| <u>Equity and Other Credits</u> | | | | |
| Investment in general fixed assets | - | \$342,497 | - | 342,497 |
| Fund balance: | | | | |
| Reserved for prepaid expenditures | 45,521 | - | - | 45,521 |
| Reserved for micro- filming projects | <u>445,139</u> | <u>-</u> | <u>-</u> | <u>445,139</u> |
| Total Equity and Other Credits | <u>490,660</u> | <u>342,497</u> | <u>-</u> | <u>833,157</u> |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | <u>\$550,550</u> | <u>\$342,497</u> | <u>\$13,397</u> | <u>\$906,444</u> |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund Type - General Fund
For the Year Ended June 30, 2001

Statement B

REVENUES

| | |
|----------------------------------|----------------------|
| Filing fees | \$659,086 |
| Copying fees | 377,667 |
| Certification fees | 97,175 |
| Notary fees | 75,385 |
| Documentary transaction tax fees | 58,980 |
| Service charges fees | 15,148 |
| Interest earnings | <u>13,955</u> |
| Total Revenues | <u>1,297,396</u> |

EXPENDITURES

| | |
|------------------------------------|---------|
| Salaries | 511,874 |
| Custodian withdrawals | 40,000 |
| Advertising | 246 |
| Alarm service | 497 |
| Archival supplies | 4,334 |
| Bank charges | 195 |
| Binding | 19,124 |
| Capital additions and improvements | 8,070 |
| Copier supplies | 5,023 |
| Document restoration | 2,350 |
| Dues and subscriptions | 1,285 |
| Insurance | 62,922 |
| Janitorial | 9,550 |
| Lease - storage & office space | 101,456 |
| Meetings and seminars | 775 |
| Microfilm expenditures | 1,044 |
| Microfilm projects | 145,178 |
| Office supplies | 13,297 |
| Operating services | 3,517 |
| Parking | 1,696 |
| Payroll taxes | 6,965 |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Governmental Fund Type - General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2001

Statement B - Continued

EXPENDITURES (Continued)

| | |
|---------------------------------------|------------------|
| Pest control | \$ 480 |
| Postage | 2,978 |
| Printing | 4,275 |
| Professional services | 28,145 |
| Repairs | 2,049 |
| State retirement plan cost | 56,912 |
| Telephone | 3,696 |
| Travel | 1,671 |
| Debt service - capital lease payments | <u>57,385</u> |
| Total Expenditures | <u>1,096,989</u> |

| | |
|--------------------------------------|---------|
| EXCESS OF REVENUES OVER EXPENDITURES | 200,407 |
|--------------------------------------|---------|

| | |
|-----------------------------------|----------------|
| Fund Balance at Beginning of Year | <u>244,732</u> |
|-----------------------------------|----------------|

| | |
|-----------------------------|------------------|
| Fund Balance at End of Year | <u>\$445,139</u> |
|-----------------------------|------------------|

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
 State of Louisiana
 Governmental Fund Type - General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2001

Statement C

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|---------------------------------------|------------------|------------------|---|
| REVENUES | | | |
| Filing fees | \$620,000 | \$659,086 | \$39,086 |
| Copying fees | 350,000 | 377,667 | 27,667 |
| Certification fees | 95,000 | 97,175 | 2,175 |
| Notary fees | 74,000 | 75,385 | 1,385 |
| Documentary transaction tax fees | 50,000 | 58,980 | 8,980 |
| Service charges fees | 18,500 | 15,148 | (3,352) |
| Interest earnings | <u>14,000</u> | <u>13,955</u> | <u>(45)</u> |
| Total Revenues | <u>1,221,500</u> | <u>1,297,396</u> | <u>75,896</u> |
| EXPENDITURES | | | |
| Salaries | 510,000 | 511,874 | (1,874) |
| Custodian withdrawals | 40,000 | 40,000 | - |
| Advertising | 250 | 246 | 4 |
| Alarm service | 600 | 497 | 103 |
| Archival supplies | 2,700 | 4,334 | (1,634) |
| Bank charges | 200 | 195 | 5 |
| Binding | 15,000 | 19,124 | (4,124) |
| Capital additions and improvements | 6,500 | 8,070 | (1,570) |
| Copier supplies | 4,500 | 5,023 | (523) |
| Document restoration | 850 | 2,350 | (1,500) |
| Dues and subscriptions | 1,500 | 1,285 | 215 |
| Insurance | 54,300 | 62,922 | (8,622) |
| Janitorial | 9,000 | 9,550 | (550) |
| Lease - storage & office space | 110,500 | 101,456 | 9,044 |
| Meetings and seminars | 1,200 | 775 | 425 |
| Microfilm expenditures | 1,200 | 1,044 | 156 |
| Microfilm projects | 520,432 | 145,178 | 375,254 |
| Office supplies | 12,000 | 13,297 | (1,297) |
| Operating services | 3,000 | 3,517 | (517) |
| Parking | 2,000 | 1,696 | 304 |
| Payroll taxes | 6,500 | 6,965 | (465) |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
 State of Louisiana
 Governmental Fund Type - General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2001

Statement C - Continued

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|----------------------|--------------------|--|
| EXPENDITURES (Continued) | | | |
| Pest control | \$ 500 | 480 | 20 |
| Postage | 2,700 | 2,978 | (278) |
| Printing | 3,000 | 4,275 | (1,275) |
| Professional services | 28,300 | 28,145 | 155 |
| Repairs | 2,000 | 2,049 | (49) |
| State retirement plan cost | 57,000 | 56,912 | 88 |
| Telephone | 3,200 | 3,696 | (496) |
| Travel | 1,700 | 1,671 | 29 |
| Debt service - capital lease payments | <u>65,600</u> | <u>57,385</u> | <u>8,215</u> |
| Total Expenditures | <u>1,466,232</u> | <u>1,096,989</u> | <u>369,243</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (244,732) | 200,407 | 445,139 |
| Fund Balance at Beginning of Year | <u>\$244,732</u> | <u>244,732</u> | <u>-</u> |
| Fund Balance at End of Year | <u>-</u> | <u>\$445,139</u> | <u>\$445,139</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

INTRODUCTION

The Custodian of Notarial Records of Orleans Parish, State of Louisiana (the Custodian) was created by Act 147 of the Louisiana legislature in 1867. This act stated that a central office be established and provide a custodian to care and discharge the duties of that office. As provided by Louisiana revised statute 35:322, the Custodian is appointed by the Governor for a term of four years. The term of office shall run concurrent with that of the Governor.

The following summary of significant accounting policies of the Custodian is presented to assist in understanding the Custodian's financial statements. The financial statements and accompanying notes are representations of the management of the Custodian, which is responsible for their integrity and objectivity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying general purpose financial statements of the Custodian of Notarial Records of Orleans Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Reporting Entity

The State of Louisiana is the governing authority and the governmental financial reporting entity for the Custodian of Notarial Records of Orleans Parish. The financial reporting entity consists of (a) the primary government (State of Louisiana), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the State of Louisiana for financial reporting purposes.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the State of Louisiana to impose its will on that organization, and/or
 - b. the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State of Louisiana.
2. Organizations for which the State of Louisiana does not appoint a voting majority, but are fiscally dependent on the State of Louisiana.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Custodian's office is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the state has the ability to significantly influence the designation of management by the Governor appointing the Custodian and public service is rendered within the state's boundaries. The accompanying financial statements represent activity of the Custodian of Notarial Records of Orleans Parish, and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fund Accounting

The accounts of the Custodian are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Custodian uses a fund (General Fund) and two account groups (General Fixed Assets and General Long-Term Obligations Account Groups) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund is classified as a governmental fund, and it is the general operating fund of the Custodian and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

The General Fixed Assets Account Group is used to account for all fixed assets of the Custodian.

The General Long-Term Debt Account Group is used to account for all long-term debt of the Custodian and for those long-term liabilities to be liquidated with resources to be provided in future periods.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Basis of Accounting

Basis of accounting refers to the recognition of revenues and expenditures in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is used by governmental fund types. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities within the current period. Revenues are considered measurable and available when received within 60 days after the current year ended. Fees for filing, copying and certifications are recorded when received. Interest revenue is recognized as it is earned. Revenues susceptible to accrual are the City of New Orleans documentary transaction tax fees and notary fees. Expenditures are generally recorded when the liability is incurred.

5. Budget Practices

In accordance with LARS 35:338, the Custodian is required to adopt an annual budget for the General Fund. The original budget for the fiscal year ended June 30, 2001, was adopted on July 8, 2000. The budget was prepared and reported on a modified accrual basis of accounting. Formal budget integration is employed as a management control device during the year.

The Custodian reserves all authority to make changes to the budget. The original budget for the fiscal year ended June 30, 2001, was subsequently amended on April 27, 2001. Budgeted amounts in the accompanying financial statements include the original budget and all subsequent amendments.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Deposits with Financial Institutions
Cash reported on the balance sheet includes amounts in interest and non-interest bearing demand deposits. Under state law, the Custodian may deposit funds with a fiscal agent bank organized under laws of the State of Louisiana, the laws of any other state of the union, or the laws of the United States. Louisiana statutes permit the Custodian to invest in United States bonds, treasury notes, certificates, or other obligations and agencies of the U.S. Government which are federally insured, and certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in Louisiana.
7. Receivables
Receivables are made up mostly of documentary transaction tax fee revenue from the City of New Orleans. These receivables are expected to be collected in full; therefore, no allowance for uncollectible amounts is set up.
8. Prepaid Expenditures
Prepaid expenditures represent overbillings by the vendor that the archives uses to microfilm its records. This amount totaled \$36,426. It also represents the overpayment of state retirement costs for an employee who had entered into the drop program. This amount totaled \$9,095.

Prepaid expenditures listed on the balance sheet are accounted for under the consumption method and valued at cost. Specific identification is the method used to apply the cost basis method.
9. Fixed Assets
Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized and reported in the general fixed assets account group. Depreciation is not recorded on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. General Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Such liabilities include the capital lease obligations.

11. Annual and Sick Leave

Annual leave of one to three weeks is earned on a calendar year basis depending on the length of service. Annual leave earned must be used within that calendar year and compensation in lieu of any remaining leave time is not available.

Sick leave is earned on a calendar year basis at a rate of one day per month. Any unused accrued sick leave available to the employee at the end of the current calendar year can be carried forward from year to year; however, compensation in lieu of leave time is not available. Accumulated sick leave is not paid upon termination of employment.

12. Fund Equity

Reserves represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific future use. Designated fund balance represents tentative plans for future use of financial resources. Such plans are subject to change and may never be legally authorized or result in expenditures.

The Custodian reserves the fund balance of his office for future microfilming expenditures and for prepaid expenditures.

13. Risk Management

The Custodian pays insurance premiums to the State of Louisiana, Office of Risk Management to cover risks that may occur in normal operations. The state pays premiums to the state's self-insurance program and to various insurance agencies for stop-loss coverage.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Encumbrances
Encumbrances are not recorded, and therefore, no reservation of fund balance is necessary.
15. Use of Estimates
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
16. Total Column on Balance Sheet
The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTION

At June 30, 2001, the carrying amount (book balance) of all cash of the Custodian are as follows:

| | |
|-------------------------|------------------|
| Demand deposit accounts | \$494,648 |
| Petty cash | <u>125</u> |
| Total | <u>\$494,773</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The Custodian had \$509,895 in deposits (collected bank balances). These deposits were secured from risk by \$100,000 of federal depository insurance and \$409,895 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Custodian that the fiscal agent has failed to pay deposited funds upon demand.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets during the year is as follows:

| | Balance <u>7/1/00</u> | <u>Additions</u> | Retire- <u>ments</u> | Balance <u>6/30/01</u> |
|---------------------------|--------------------------|------------------|-------------------------|---------------------------|
| Furniture and fixtures | \$121,816 | \$ 4,317 | \$ 28,632 | \$ 97,501 |
| Office equipment | <u>326,129</u> | <u>15,144</u> | <u>96,277</u> | <u>244,996</u> |
| Total | <u>\$447,945</u> | <u>\$19,461</u> | <u>\$124,909</u> | <u>\$342,497</u> |

NOTE D - PENSION PLAN

Employees of the Custodian are members of the Louisiana State Employees Retirement System (LASERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability and survivors' benefits to plan members and beneficiaries. Benefits granted by LASERS are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in LASERS, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature.

LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the retirement system. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504)922-0608 or (800)256-3000.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE D - PENSION PLAN (CONTINUED)

The contribution requirements of plan members and the Custodian are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate to equal the actuarially required employer contribution as set forth in Louisiana Revised Statute 11:102.

Funding Policy

Employees are required by state statute to contribute 7.5 percent of their annual covered salaries, and the Custodian is required to make employer contributions based on an actuarially determined rate. The current employer rate is 13 percent of annual covered payroll. The Custodian's employer contributions to the System for the years ended June 30, 2001, 2000 and 1999 were \$56,912, \$54,728 and \$53,732, respectively, and these amounts equaled the required contributions for those years.

NOTE E - POST RETIREMENT HEALTH CARE BENEFITS

The Custodian provides certain continuing health care benefits for retired employees. Substantially all of the Custodian's employees become eligible for these benefits if they reach normal retirement age while working for the Custodian. These benefits for retirees and similar benefits for active employees are provided through the Louisiana State Employee Group Benefits Insurance program, whose monthly premiums are paid jointly by the employee and by the Custodian. The Custodian recognizes the cost of the employer's portion of the insurance premiums of retirees as an expenditure when paid during the year (on a pay-as-you-go basis). For the year ended June 30, 2001, the Custodian's cost of benefits paid for the two retirees in the program totaled \$20,525.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE F - GENERAL LONG-TERM DEBT ACCOUNT GROUP AND COMMITMENTS

General Long-Term Debt Account Group

The Custodian had several capital lease agreements for office equipment as of June 30, 2001, and records them as an asset and an obligation on the accompanying financial statements. Total capital lease payments during the year were \$57,150. This included interest of \$2,518. The following is a summary of the long-term obligation transactions for capital leases during the year ended June 30, 2001:

| | |
|---|-----------------|
| Long-term obligations payable at July 1, 2000 | \$68,028 |
| Increase | - |
| Decrease | <u>(54,631)</u> |
| Long-term obligations payable at June 30, 2001 | <u>\$13,397</u> |

| <u>Nature of Lease</u> | <u>Date of Lease</u> | <u>Last Payment Date</u> | <u>Remaining Interest End of Lease</u> | <u>Remaining Principal End of Lease</u> |
|------------------------|----------------------|--------------------------|--|---|
| Office equipment | 1/17/00 | 12/17/02 | \$864 | \$13,397 |

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2001:

| | |
|--|-----------------|
| <u>Year</u> | |
| 2002 | \$ 9,504 |
| 2003 | <u>4,757</u> |
| Net minimum lease payments | 14,261 |
| Less: Amount representing interest | <u>(864)</u> |
| Present value of net minimum lease payments | <u>\$13,397</u> |

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE F - GENERAL LONG-TERM DEBT ACCOUNT GROUP AND COMMITMENTS
(CONTINUED)

The General Fund pays for all capital and operating leases out of its current operating revenues.

Annual Commitments under Operating Lease

On May 28, 1998, the Custodian entered into an operating lease beginning on September 1, 1998, and ending on August 1, 2003 (five years) for building space to store historic records and documents of the office. The original lease was amended to include additional space. Annual lease commitments are as follows:

For the year ending June 30:

| | |
|---------------------------------|------------------|
| 2002 | \$112,084 |
| 2003 | 114,750 |
| 2004 | 116,663 |
| 2005 | <u>39,058</u> |
| Total minimum lease commitments | <u>\$382,555</u> |

For the fiscal year ended June 30, 2001, payments under all operating leases totaled \$101,456.

NOTE G - EXPENDITURES OF THE CUSTODIAN NOT INCLUDED IN THE
FINANCIAL STATEMENTS

For the year ended June 30, 2001, the Custodian received office space in the Civil Courts Building, maintenance on the office space, and certain utilities from the City of New Orleans at no charge. The value of these items are not reflected in the accompanying financial statements.

NOTE H - RESERVED FUND BALANCE

As of June 30, 2001, the Custodian's fund balance was reserved by the Custodian for future microfilming expenditures and projects totaling \$445,139 and prepaid expenditures totaling \$45,521.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE I - LITIGATION AND CLAIMS

According to the Custodian, there is no pending litigation or claims against his office as of June 30, 2001.

NOTE J - PER DIEM

The Custodian does not receive any per diem.

SUPPLEMENTARY INFORMATION SCHEDULES

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Supplementary Information Schedules
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2001

Finding No. 1

Fiscal Year Finding Initially Occurred: June 30, 1999

Finding Described: In accordance with LARS 35:338, the Custodian shall send a copy of the annual budget to the Legislative Auditor and the Joint Legislative Committee on the Budget, and publish a copy of the budget in the newspaper. This was not done for the fiscal year ended June 30, 2000.

Corrective Action and Additional Explanation: Management will comply with all the provisions of LARS 35:338 in the future. It will mail a copy of the annual budget to the appropriate governmental entities.

Note: Management was notified of this finding for the audit year ended June 30, 1999, on September 25, 1999. At that date it was too late to correct this for the June 30, 2000 budget. Management has indicated that every effort will be made to comply with this law in the future.

Anticipated Completion Date: August 31, 2000

The contact person for all these findings is the Custodian, William L. Pratt.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Supplementary Information Schedules
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2001

Finding No. 1

Fiscal Year Finding Initially Occurred: June 30, 1999

Finding Described: In accordance with LARS 35:338, the Custodian shall send a copy of the annual budget to the Legislative Auditor and the Joint Legislative Committee on the Budget, and publish a copy of the budget in the newspaper. This was not done for the fiscal year ended June 30, 2001.

Corrective Action and Additional Explanation: Management has fully complied with LARS 39:338 for the June 30, 2002 fiscal year-end. It has mailed the necessary copies of the annual budget to the appropriate governmental agencies.

Anticipated Completion Date: August 15, 2001

The contact person for the finding listed above is the Custodian, William L. Pratt.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

KEITH J. ROVIRA
CERTIFIED PUBLIC ACCOUNTANT
3331 METAIRIE ROAD
METAIRIE, LOUISIANA 70001-5297

(504) 831-4040

FAX (504) 831-4042

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Custodian of Notarial Records of Orleans Parish
State of Louisiana
New Orleans, Louisiana

I have audited the general purpose financial statements of the Custodian of Notarial Records of Orleans Parish, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, and have issued my report thereon dated August 15, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

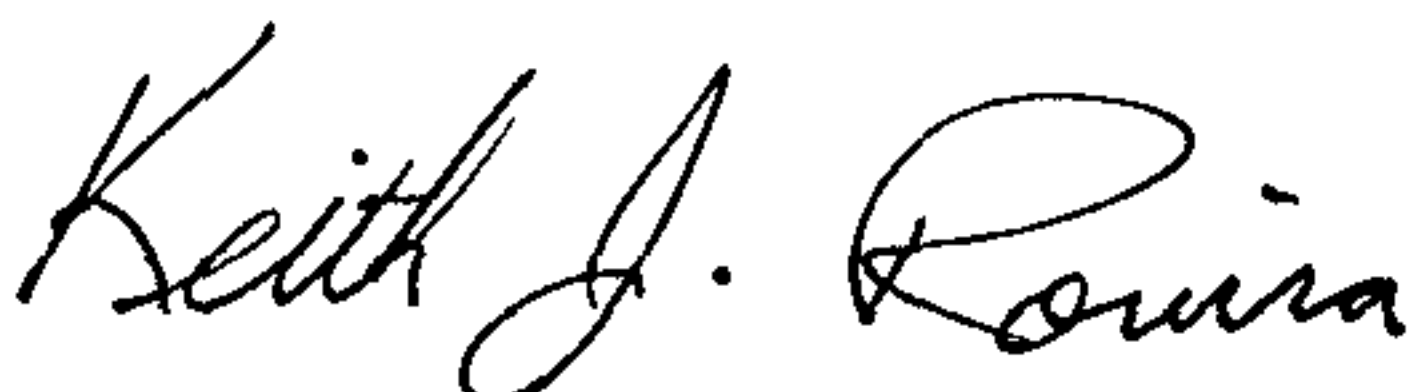
Compliance

As a part of obtaining reasonable assurance about whether the Custodian of Notarial Records of Orleans Parish's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards, and is described in the accompanying schedule of Corrective Action Plan for Current Year Audit Findings.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Custodian of Notarial Records of Orleans Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

This report is intended solely for the use of management and the State of Louisiana Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the State of Louisiana Legislative Auditor, is a matter of public record.



Keith J. Rovira
Certified Public Accountant

August 15, 2001

SUPPLEMENTARY INFORMATION

C O N T E N T S

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| Balance Sheet - All Fund Types and Account Groups | A | 33 |
| Governmental Fund - General Fund: | | |
| Statement of Revenues, Expenditures and Changes in Fund Balance | B | 35 |
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STATE OF LOUISIANA
Annual Financial Statement
 Fiscal Year Ending 6/30/01

Custodian of Notarial Records of Orleans Parish
New Orleans, Louisiana
 (Agency Name)

Division of Administration
 Office of Statewide Reporting and
 Accounting Policy
 P. O. Box 94095
 Baton Rouge, Louisiana 70804-9095

Legislative Auditor
 P. O. Box 94397
 Baton Rouge, Louisiana
 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, William L. Pratt (Name)
Custodian (Title) of Custodian of Notarial Records
of Orleans Parish (Agency) who duly
 sworn, deposes and says that the financial statement herewith given presents fairly the financial
 position of Custodian of Notarial Records
of Orleans Parish (Agency) at 6/30/01 and the results
 of operations for the year then ended in accordance with policies and practices established by
 the Division of Administration or in accordance with Generally Accepted Account Principles as
 prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before
 me, this 20th day of August, 2001.

William L. Pratt
 Signature of Agency Official

[Signature]
 Notary Public

Prepared by: William L. Pratt
 Title: Custodian
 Telephone No.: 504-568-8577
 Date: 8/20/01

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Balance Sheet - All Fund Types and Account Groups
June 30, 2001

Statement A

| | Governmental Fund - General Fund | <u>Account Groups</u> | | Total (Memorandum Only) |
|---|---|----------------------------|-------------------------------------|-------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| ASSETS AND OTHER DEBITS | | | | |
| <u>Assets</u> | | | | |
| Cash | \$494,773 | - | - | \$494,773 |
| Receivables | 5,952 | - | - | 5,952 |
| Prepaid expenses | 45,521 | - | - | 45,521 |
| Rental deposits | 4,304 | - | - | 4,304 |
| Fixed assets | - | \$342,497 | - | 342,497 |
| <u>Other Debits</u> | | | | |
| Amount to be provided for retirement of capital lease obligations | - | - | \$13,397 | 13,397 |
| TOTAL ASSETS | \$550,550 | \$342,497 | \$13,397 | \$906,444 |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Balance Sheet - All Fund Types and Account Groups
June 30, 2001

Statement A - Continued

| | Governmental Fund - General Fund | Account Groups General Fixed Assets | General Long-Term Obligations | Total (Memorandum Only) |
|---|---|--|-------------------------------------|-------------------------------|
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$15,712 | - | - | \$15,712 |
| Accrued annual leave | 10,172 | - | - | 10,172 |
| Accrued sick leave | 4,702 | - | - | 4,702 |
| Payroll deductions payable | 9,079 | - | - | 9,079 |
| Deferred revenue - notary fees | 12,525 | - | - | 12,525 |
| Escrow - City of New Orleans | 7,700 | - | - | 7,700 |
| Capital lease obligations | <u>-</u> | <u>-</u> | \$13,397 | <u>13,397</u> |
| Total Liabilities | <u>59,890</u> | <u>-</u> | <u>13,397</u> | <u>73,287</u> |
| <u>Equity and Other Credits</u> | | | | |
| Investment in general fixed assets | - | \$342,497 | - | 342,497 |
| Fund balance: | | | | |
| Reserved for prepaid expenditures | 45,521 | - | - | 45,521 |
| Reserved for micro- filming projects | <u>445,139</u> | <u>-</u> | <u>-</u> | <u>445,139</u> |
| Total Equity and Other Credits | <u>490,660</u> | <u>342,497</u> | <u>-</u> | <u>833,157</u> |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | <u>\$550,550</u> | <u>\$342,497</u> | <u>\$13,397</u> | <u>\$906,444</u> |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund Type - General Fund
For the Year Ended June 30, 2001

Statement B

REVENUES

| | |
|----------------------------------|----------------------|
| Filing fees | \$659,086 |
| Copying fees | 377,667 |
| Certification fees | 97,175 |
| Notary fees | 75,385 |
| Documentary transaction tax fees | 58,980 |
| Service charges fees | 15,148 |
| Interest earnings | <u>13,955</u> |
| Total Revenues | <u>1,297,396</u> |

EXPENDITURES

| | |
|------------------------------------|---------|
| Salaries | 511,874 |
| Custodian withdrawals | 40,000 |
| Advertising | 246 |
| Alarm service | 497 |
| Archival supplies | 4,334 |
| Bank charges | 195 |
| Binding | 19,124 |
| Capital additions and improvements | 8,070 |
| Copier supplies | 5,023 |
| Document restoration | 2,350 |
| Dues and subscriptions | 1,285 |
| Insurance | 62,922 |
| Janitorial | 9,550 |
| Lease - storage & office space | 101,456 |
| Meetings and seminars | 775 |
| Microfilm expenditures | 1,044 |
| Microfilm projects | 145,178 |
| Office supplies | 13,297 |
| Operating services | 3,517 |
| Parking | 1,696 |
| Payroll taxes | 6,965 |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Governmental Fund Type - General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2001

Statement B - Continued

EXPENDITURES (Continued)

| | |
|---------------------------------------|------------------|
| Pest control | \$ 480 |
| Postage | 2,978 |
| Printing | 4,275 |
| Professional services | 28,145 |
| Repairs | 2,049 |
| State retirement plan cost | 56,912 |
| Telephone | 3,696 |
| Travel | 1,671 |
| Debt service - capital lease payments | <u>57,385</u> |
| Total Expenditures | <u>1,096,989</u> |

| | |
|--------------------------------------|---------|
| EXCESS OF REVENUES OVER EXPENDITURES | 200,407 |
|--------------------------------------|---------|

| | |
|-----------------------------------|----------------|
| Fund Balance at Beginning of Year | <u>244,732</u> |
|-----------------------------------|----------------|

| | |
|-----------------------------|------------------|
| Fund Balance at End of Year | <u>\$445,139</u> |
|-----------------------------|------------------|

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
 State of Louisiana
 Governmental Fund Type - General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2001

Statement C

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|------------------|------------------|---|
| REVENUES | | | |
| Filing fees | \$620,000 | \$659,086 | \$39,086 |
| Copying fees | 350,000 | 377,667 | 27,667 |
| Certification fees | 95,000 | 97,175 | 2,175 |
| Notary fees | 74,000 | 75,385 | 1,385 |
| Documentary transaction tax fees | 50,000 | 58,980 | 8,980 |
| Service charges fees | 18,500 | 15,148 | (3,352) |
| Interest earnings | <u>14,000</u> | <u>13,955</u> | <u>(45)</u> |
| Total Revenues | <u>1,221,500</u> | <u>1,297,396</u> | <u>75,896</u> |
| EXPENDITURES | | | |
| Salaries | 510,000 | 511,874 | (1,874) |
| Custodian withdrawals | 40,000 | 40,000 | - |
| Advertising | 250 | 246 | 4 |
| Alarm service | 600 | 497 | 103 |
| Archival supplies | 2,700 | 4,334 | (1,634) |
| Bank charges | 200 | 195 | 5 |
| Binding | 15,000 | 19,124 | (4,124) |
| Capital additions and improvements | 6,500 | 8,070 | (1,570) |
| Copier supplies | 4,500 | 5,023 | (523) |
| Document restoration | 850 | 2,350 | (1,500) |
| Dues and subscriptions | 1,500 | 1,285 | 215 |
| Insurance | 54,300 | 62,922 | (8,622) |
| Janitorial | 9,000 | 9,550 | (550) |
| Lease - storage & office space | 110,500 | 101,456 | 9,044 |
| Meetings and seminars | 1,200 | 775 | 425 |
| Microfilm expenditures | 1,200 | 1,044 | 156 |
| Microfilm projects | 520,432 | 145,178 | 375,254 |
| Office supplies | 12,000 | 13,297 | (1,297) |
| Operating services | 3,000 | 3,517 | (517) |
| Parking | 2,000 | 1,696 | 304 |
| Payroll taxes | 6,500 | 6,965 | (465) |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Governmental Fund Type - General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2001

Statement C - Continued

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|----------------------|--------------------|--|
| EXPENDITURES (Continued) | | | |
| Pest control | \$ 500 | 480 | 20 |
| Postage | 2,700 | 2,978 | (278) |
| Printing | 3,000 | 4,275 | (1,275) |
| Professional services | 28,300 | 28,145 | 155 |
| Repairs | 2,000 | 2,049 | (49) |
| State retirement plan cost | 57,000 | 56,912 | 88 |
| Telephone | 3,200 | 3,696 | (496) |
| Travel | 1,700 | 1,671 | 29 |
| Debt service - capital lease payments | <u>65,600</u> | <u>57,385</u> | <u>8,215</u> |
| Total Expenditures | <u>1,466,232</u> | <u>1,096,989</u> | <u>369,243</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (244,732) | 200,407 | 445,139 |
| Fund Balance at Beginning of Year | <u>\$244,732</u> | <u>244,732</u> | <u>-</u> |
| Fund Balance at End of Year | <u>-</u> | <u>\$445,139</u> | <u>\$445,139</u> |

The accompanying notes are an integral part of this statement.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

INTRODUCTION

The Custodian of Notarial Records of Orleans Parish, State of Louisiana (the Custodian) was created by Act 147 of the Louisiana legislature in 1867. This act stated that a central office be established and provide a custodian to care and discharge the duties of that office. As provided by Louisiana revised statute 35:322, the Custodian is appointed by the Governor for a term of four years. The term of office shall run concurrent with that of the Governor.

The following summary of significant accounting policies of the Custodian is presented to assist in understanding the Custodian's financial statements. The financial statements and accompanying notes are representations of the management of the Custodian, which is responsible for their integrity and objectivity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying general purpose financial statements of the Custodian of Notarial Records of Orleans Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units (GASB Codification).

2. Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity for the Custodian to be the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the custodian members and public service is rendered within the state's boundaries. The accompanying financial statements represent transactions of the Custodian and, therefore, are a part of the fund and account group structure of the State of Louisiana. Annually, the State of Louisiana issues general-purpose financial statements, which are audited by the Louisiana Legislative Auditor.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fund Accounting

The accounts of the Custodian are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Custodian uses a fund (General Fund) and two account groups (General Fixed Assets and General Long-Term Obligations Account Groups) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

General Fund

The General Fund is classified as a governmental fund, and it is the general operating fund of the Custodian, and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

Account Groups

The two account groups are not "funds." They are concerned only with the measurement of financial position, not with the measurement of results of operations. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt.

The General Fixed Assets Account Group is used to account for all fixed assets of the Custodian.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The General Long-Term Debt Account Group is used to account for all long-term debt of the Custodian and for those long-term liabilities to be liquidated with resources to be provided in future periods.

4. Basis of Accounting

Basis of accounting refers to the recognition of revenues and expenditures in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Custodian's records are maintained on the modified accrual basis of accounting and is used by the General Fund governmental fund type. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities within the current period. Revenues are considered measurable and available when received within 60 days after the current year ended.

Fees for filing, copying and certifications are recorded when received. Interest revenue is recognized as it is earned. Revenues susceptible to accrual are the City of New Orleans documentary transaction tax fees and notary fees. Expenditures are generally recorded when the liability is incurred.

5. Encumbrances

Encumbrance accounting is not used by the Custodian.

6. Total Column on Balance Sheet

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE B - BUDGET PRACTICES

In accordance with LARS 35:338, the Custodian is required to adopt an annual budget for the General Fund. The original budget for the fiscal year ended June 30, 2001, was adopted on July 8, 2000. The budget was prepared and reported on a modified accrual basis of accounting. Formal budget integration is employed as a management control device during the year.

The Custodian reserves all authority to make changes to the budget. The original budget for the fiscal year ended June 30, 2001, was subsequently amended on April 27, 2001. Budgeted amounts in the accompanying financial statements include the original budget and all subsequent amendments.

The following individual fund (general fund) had actual expenditures under adopted budgeted expenditures for the year-ended June 30, 2001:

| <u>Fund</u> | <u>Fund Type</u> | <u>Ending Fund Balance</u> |
|--------------|------------------|--------------------------------|
| General Fund | Governmental | \$490,660 |

NOTE C - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. Deposits with Financial Institutions

Cash reported on the balance sheet includes amounts in interest and non-interest bearing demand deposits. Under state law, the Custodian may deposit funds with a fiscal agent bank organized under laws of the State of Louisiana, the laws of any other state of the union, or the laws of the United States. Louisiana statutes permit the Custodian to invest in United States bonds, treasury notes, certificates, or other obligations and agencies of the U.S. Government which are federally insured, and certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE C - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(CONTINUED)

resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Deposits in bank accounts on the balance sheet comprised only of cash totaling \$494,648. Bank balances per the bank statement at June 30, 2001, totaled \$509,895, and all was insured by the FDIC or collateralization with securities held by the entity or its agent in the entity's name.

The following is the only banking institution, program, account number and amount of the bank balance shown above:

| <u>Banking Institution</u> | <u>Program</u> | <u>Account Number</u> | <u>Amount</u> |
|----------------------------|----------------|-----------------------|------------------|
| First Bank & Trust | N/A | 493860 | \$ 78,067 |
| First Bank & Trust | N/A | 493002 | <u>431,828</u> |
| Total | | | <u>\$509,895</u> |

| | |
|------------------------|-------|
| Cash in State Treasury | \$-0- |
| Petty cash | \$125 |

2. Investments

The Custodian did not have any investments at June 30, 2001.

NOTE D - RECEIVABLES

Receivables are made up mostly of documentary transaction tax fee revenue from the City of New Orleans. These receivables are expected to be collected in full; therefore, no allowance for uncollectible amounts is set up.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
State of Louisiana
Notes to the Financial Statements
June 30, 2001

NOTE E - DUE FROM/DUE TO AND TRANSFERS

The Custodian did not have any transfers due to, or from, other funds at June 30, 2001.

NOTE F - GENERAL FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized and reported in the general fixed assets account group. Depreciation is not recorded on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

A summary of changes in general fixed assets during the year is as follows:

| | Balance <u>7/1/00</u> | <u>Additions</u> | Retire- <u>ments</u> | Balance <u>6/30/01</u> |
|---------------------------|--------------------------|------------------|-------------------------|---------------------------|
| Furniture and fixtures | \$121,816 | \$ 4,317 | \$ 28,632 | \$ 97,501 |
| Office equipment | <u>326,129</u> | <u>15,144</u> | <u>96,277</u> | <u>244,996</u> |
| Total | <u>\$447,945</u> | <u>\$19,461</u> | <u>\$124,909</u> | <u>\$342,497</u> |

NOTE G - INVENTORIES

The Custodian did not have any inventories at June 30, 2001.

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Notes to the Financial Statements
June 30, 2001

NOTE H - RESTRICTED ASSETS

The Custodian did not have any restricted assets at June 30, 2001.

NOTE I - PAYABLES

At June 30, 2001, the Custodian had general fund payables totaling \$59,890. Accounts payables totaled \$15,712. Payroll payables totaled \$23,953, and deferred revenues totaled 20,225.

NOTE J - RETIREMENT

Employees of the Custodian are members of the Louisiana State Employees Retirement System (LASERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability and survivors' benefits to plan members and beneficiaries. Benefits granted by LASERS are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in LASERS, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature.

LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the retirement system. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504)922-0608 or (800)256-3000.

The contribution requirements of plan members and the Custodian are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate to equal the actuarially required employer contribution as set forth in Louisiana Revised Statute 11:102.

CUSTODIAN OF NOTARIAL RECORDS
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June 30, 2001

NOTE J - PENSION PLAN (CONTINUED)

Funding Policy

Employees are required by state statute to contribute 7.5 percent of their annual covered salaries, and the Custodian is required to make employer contributions based on an actuarially determined rate. The current employer rate is 13 percent of annual covered payroll. The Custodian's employer contributions to the System for the years ended June 30, 2001, 2000 and 1999 were \$56,912, \$54,728 and \$53,732, respectively, and these amounts equaled the required contributions for those years.

NOTE K - POST RETIREMENT HEALTH CARE BENEFITS

The Custodian provides certain continuing health care benefits for retired employees. Substantially all of the Custodian's employees become eligible for these benefits if they reach normal retirement age while working for the Custodian. These benefits for retirees and similar benefits for active employees are provided through the Louisiana State Employee Group Benefits Insurance program, whose monthly premiums are paid jointly by the employee and by the Custodian. The Custodian recognizes the cost of the employer's portion of the insurance premiums of retirees as an expenditure when paid during the year (on a pay-as-you-go basis). For the year ended June 30, 2001, the Custodian's cost of benefits paid for the two retirees in the program totaled \$20,525.

NOTE L - LEAVE

1. Compensated Absences

The Custodian has the following policy related to vacation and sick leave:

Annual leave of one to three weeks is earned on a calendar year basis depending on the length of service. Annual leave earned must be used within that calendar year and compensation in lieu of any remaining leave time is not available.

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NOTE L - LEAVE (CONTINUED)

Sick leave is earned on a calendar year basis at a rate of one day per month. Any unused accrued sick leave available to the employee at the end of the current calendar year can be carried forward from year to year; however, compensation in lieu of leave time is not available. Accumulated sick leave is not paid upon termination of employment.

2. Compensatory Leave

The custodian did not have any compensatory leave balances at June 30, 2001.

NOTE M - LEASES

1. Capital Leases

The Custodian had several capital lease agreements for office equipment as of June 30, 2001, and records them as an asset and an obligation on the accompanying financial statements. Total capital lease payments during the year were \$57,150, and all amounts are paid out of the general fund. This included interest of \$2,518. The following is an analysis of capital leases:

| <u>Nature of Lease</u> | <u>Date of Lease</u> | <u>Last Payment Date</u> | <u>Remaining Interest End of Lease</u> | <u>Remaining Principal End of Lease</u> |
|------------------------|----------------------|--------------------------|--|---|
| Office equipment | 1/17/00 | 12/17/02 | \$864 | \$13,397 |

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2001:

| | |
|---|-----------------|
| <u>Year</u> | |
| 2002 | \$ 9,504 |
| 2003 | <u>4,757</u> |
| Net minimum lease payments | 14,261 |
| Less: Amount representing interest | <u>(864)</u> |
| Present value of net minimum lease payments | <u>\$13,397</u> |

CUSTODIAN OF NOTARIAL RECORDS
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Notes to the Financial Statements
June 30, 2001

NOTE M - LEASES (CONTINUED)

2. Operating Leases

The total payments under all operating leases amounted to \$101,456. The general fund pays for all operating leases out of its current operating revenues.

On May 28, 1998, the Custodian entered into an operating lease beginning on September 1, 1998, and ending on August 1, 2003 (five years) for building space to store historic records and documents of the office. The original lease was amended to include additional space. Annual lease commitments are as follows:

| <u>Year</u> | |
|---------------------------------|------------------|
| 2001-2002 | \$112,084 |
| 2002-2003 | 114,750 |
| 2003-2004 | 116,663 |
| 2004-2005 | <u>39,058</u> |
| Total minimum lease commitments | <u>\$382,555</u> |

3. Revenue Leases

The Custodian did not have any revenue lease arrangements during the fiscal year.

NOTE N - GENERAL LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term obligations account group, not in the governmental funds. The only long-term obligations to be disclosed were for capital leases.

The following is a summary of the long-term obligation transactions during the year:

| | |
|---|-----------------|
| Long-term obligations payable at July 1, 2000 | \$68,028 |
| Increase | - |
| Decrease | <u>(54,631)</u> |
| Long-term obligations payable at June 30, 2001 | <u>\$13,397</u> |

CUSTODIAN OF NOTARIAL RECORDS
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Notes to the Financial Statements
June 30, 2001

NOTE O - LITIGATION

According to the Custodian's legal counsel, there is no pending litigation or claim against the Custodian as of June 30, 2001.

NOTE P - RELATED PARTY TRANSACTIONS

The Custodian did not have any related party transactions during the fiscal year.

NOTE Q - ACCOUNTING CHANGES

The Custodian did not have any accounting changes during the fiscal year.

NOTE R - FUND DEFICITS

The Custodian did not have any funds with deficit fund balances at June 30, 2001.

NOTE S - ENCUMBRANCES

The Custodian does not use encumbrance accounting.

NOTE T - COOPERATIVE ENDEAVORS

The Custodian did not engage in any cooperative endeavors during the fiscal year.

NOTE U - GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS

The Custodian did not engage in any nonexchange transactions during the fiscal year.

NOTE V - SUBSEQUENT EVENTS

No subsequent events occurred between June 30, 2001, and the issuance of this audit report.

CUSTODIAN OF NOTARIAL RECORDS
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Notes to the Financial Statements
June 30, 2001

NOTE W - PER DIEM

The Custodian does not receive any per diem.

NOTE X - PREPAID EXPENDITURES

Prepaid expenditures represent overbillings by the vendor that the archives uses to microfilm its records. This amount totaled \$36,426. It also represents the overpayment of state retirement costs for an employee who had entered into the drop program. This amount totaled \$9,095.

Prepaid expenditures listed on the balance sheet are accounted for under the consumption method and valued at cost. Specific identification is the method used to apply the cost basis method.

NOTE Y - RESERVED FUND BALANCE

Reserves represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific future use. Designated fund balance represents tentative plans for future use of financial resources. Such plans are subject to change and may never be legally authorized or result in expenditures.

The Custodian reserves the fund balance of his office for future microfilming expenditures and for prepaid expenditures.

As of June 30, 2001, the Custodian's fund balance was reserved for future microfilming expenditures and projects totaling \$445,139 and prepaid expenditures totaling \$45,521.

CUSTODIAN OF NOTARIAL RECORDS
OF ORLEANS PARISH
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Supplementary Information
Schedule 1
Schedule of Expenditures by Object
June 30, 2001

Expenditures

| | |
|-----------------------|--------------------|
| Personal services | \$ 608,786 |
| Travel | 1,671 |
| Operating services | 363,830 |
| Supplies | 22,654 |
| Professional services | 28,145 |
| Other charges | 6,448 |
| Capital outlay | 8,070 |
| Interagency transfers | -0- |
| Debt service | <u>57,385</u> |
| Total | <u>\$1,096,989</u> |